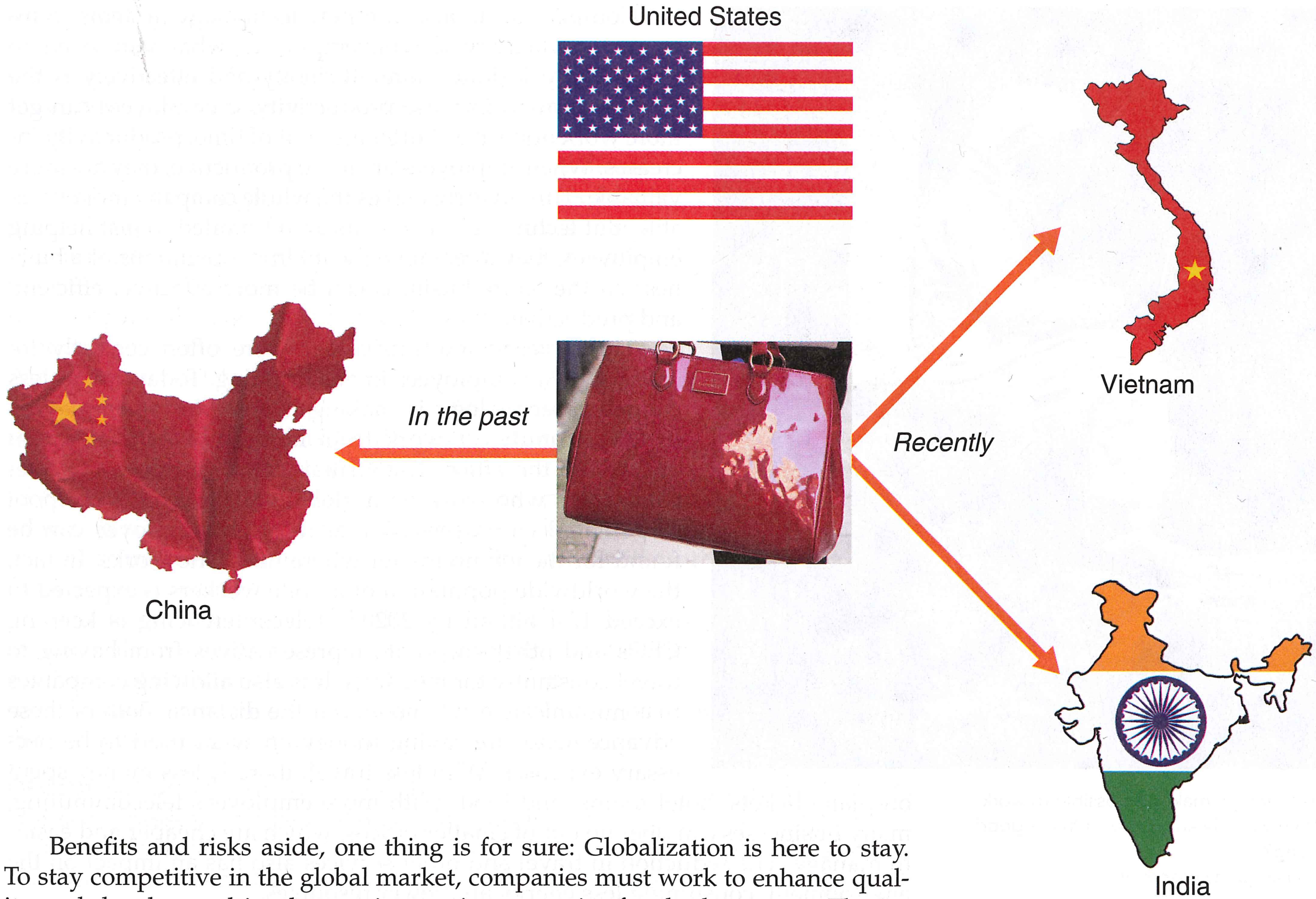


Global outsourcing is always changing. Coach, the American handbag manufacturer, has outsourced production to China in the past but now is moving to lower-wage countries, such as India and Vietnam.
Source: China: daboost/Fotolia; US flag: daboost/Fotolia; Coach bag: Kirstin Sinclair/Getty Images, Inc.; Vietnam: Yahia Loukkal/Fotolia; India: daboost/Fotolia.

Benefits and risks aside, one thing is for sure: Globalization is here to stay. To stay competitive in the global market, companies must work to enhance quality and develop and implement innovative strategies for the long term. The increasingly global nature of business increases the demand for workers who can communicate with international business partners, have up-to-date technological talents, can demonstrate excellent communication and creative problem-solving skills, and possess leadership skills.

Technological Changes

Why does the pace of technological change present challenges to businesses today? Over the past 20 years, advancements in information technology (IT) have been revolutionary. In today's business world, companies must stay on the cutting edge of technology to remain competitive. No matter the business, technology can be used to keep a company flexible, organized, and well connected—with either customers or employees. There is no question that keeping up with the pace of technology is an expensive and time-consuming operation. The rapid pace of technological innovation means that computers are often outdated after three years and obsolete after five.[9] Add to that the cost of applicable software, training, and infrastructure, and it is no wonder that IT is often the single-largest expense for many companies.[10] But IT costs aren't the only challenge. In the same way that robotics completely revolutionized the automotive industry, advancements in computer and telecommunication technology are completely changing the foundation and focus of how many businesses are run.

What benefits does technology provide to business? Technology, when used and implemented effectively, can help streamline businesses and cut costs. Technology products such as Twitter and Facebook can promote better communications with customers. Companies now can place specialized ads inside of music recognition software like Shazam or use location-aware software to send ads to your mobile device or even your car's media center as you approach the store.

Technology makes it possible to work from virtually anywhere. Is that a good thing?
Source: Getty Images, Inc.

Companies can also use new technology systems to increase productivity. Giving employees what they need to get their work done more efficiently and effectively is the simplest way to increase productivity. If employees can get more work done in a shorter amount of time, productivity increases. When employees are more productive, they are more valuable. This, in turn, makes the whole company more valuable. But technological benefits aren't limited to just helping employees; they streamline the internal operations of a business so the entire business can be more effective, efficient, and productive.

Thirty years ago, businesses were often centrally located, with all employees in one building. Today, this is less common. Technology is making it possible for employees to **telecommute**, or work from home or another location away from the office. The virtual global workforce, or telecommuters who work on a global scale, expands the pool of potential employees so that the right employee can be found for the job no matter where he or she works. In fact, the worldwide population of mobile workers is expected to exceed 12.4 billion by 2020.[11] Teleconferencing is keeping CEOs and other corporate representatives from having to travel constantly for meetings. It is also allowing companies to communicate easily no matter the distance. Both of these advancements are saving money on what used to be necessary expenses. With less travel, there is less money spent on plane tickets, hotel rooms, and food. With more employees telecommuting, many businesses can operate out of smaller offices, which are cheaper and easier to manage. The reduction in travel and other services also has an impact on the environment, consuming less energy and fewer resources.

What role does the Internet play in technological growth? If IT is the tool that is changing the functions of business, the Internet is the tool that is changing the scope of business. Although IT by itself would be extremely influential for the business world, the Internet makes it truly revolutionary. In 1995, the Internet was just starting to proliferate. Many people were intrigued by this new technology, but initially there weren't high hopes for companies that operated solely on the Internet. But this changed in 1995 when both eBay and Amazon.com launched. These companies showed that such an endeavor was not only possible but also potentially lucrative. Their high-profile success paved the way for the general acceptance of public e-commerce. As ■ **FIGURE 1.2** shows, people now are buying every type of product online. We'll discuss online business and technology in more detail in Chapter 10.

■ **FIGURE 1.2**
What Are People Buying Online?
Source: Laptop: Ruslanchik/Shutterstock; bags: urfin/Shutterstock.

E-COMMERCE **E-commerce** consists of three different kinds of business trade: *business to consumer* (B2C), *business to business* (B2B), and *consumer to consumer* (C2C). B2C interactions are the ones you're probably most familiar with, such as buying books at Amazon.com or songs or movies from iTunes. B2C interactions take place between a business and a consumer. B2B interactions involve the sale of goods and services, such as personalized or proprietary software, from one business to another. Although both are fairly similar in many ways, the ways in which they differ are significant. B2B e-commerce often involves large transactions to few customers and customized products and pricing, with numerous managers from both businesses making sure that the transaction is beneficial to both parties. This process is obviously more involved than typical B2C transactions, such as downloading a new ring tone for your cell phone or buying an item from Amazon. C2C transactions have become possible through consumer-driven storefronts like Etsy.com, where individuals can offer their handmade crafts directly for sale to customers.

Every year, e-commerce becomes a more significant element of the overall economy. E-commerce has been growing rapidly since the new millennium, forcing many businesses to either adapt or be left in the dust. For example, the CEO of Procter & Gamble (P&G) Bob MacDonald, has announced plans to expand electronic sales of its products from $500 million to $4 billion annually, using Amazon.com and the firm's own websites.[12] P&G even allowed Amazon to set up shop in P&G's warehouses so that they could fill orders for Pampers and other P&G products more quickly. As **FIGURE 1.3** shows, almost 75 percent of all U.S. Internet users have made online purchases. So far, this trend shows no sign of stopping. As it becomes easier for consumers to find even the most obscure items at competitive prices, e-commerce will continue to be a driving force in our economy.

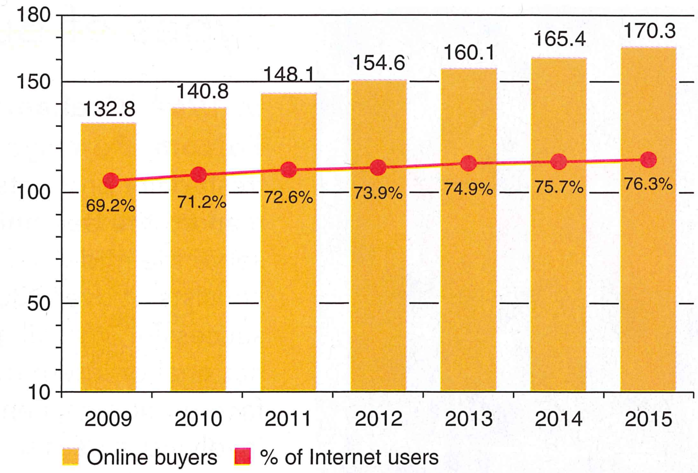


FIGURE 1.3
Online Buyers among Internet Users
Source: Data taken from U.S. Online Buyers and Penetration, 2009–2015. http://www.emarketer.com

It is important to note that the commercialization of the Internet has been around only less than two decades. The Internet, as a medium for sales, has yet to reach its full potential. As the Internet and its influence continue to grow, so will its economic importance and necessity for businesses. This growth will also affect the dangers and concerns associated with the Internet.

ONLINE SECURITY The widespread access to information that the Internet affords affects businesses in a variety of ways. Personal information, such as Social Security numbers, credit card numbers, addresses, and passwords, are all accessible online. This sensitive information, even when it is secured, can be vulnerable to hackers. Because businesses often store this and other types of personal information, the responsibility is on them to take measures to protect the online security of all their customers. It's no coincidence that as the number of people and businesses who trade and store personal information online rises, so does the number of people who are victims of **identity theft**—the illegal gain and use of personal information. In 2012, over 16 million people had their identity information misused.[13] New forms of identity theft are emerging as well, such as taking someone's identity for the purpose of getting medical care.[14] In 2013, online hackers infiltrated a number of businesses, including Target, and stole tens of millions of customers' credit card information. The need for more awareness of personal online security and better tools to ensure corporate online security is clear.

PRIVACY Privacy is another important issue for businesses. E-mails, internal documents, and chat transcripts all contain private information that is not intended for public viewing. Nevertheless, many of these documents can be accessed online because online storage in the "cloud" has become so convenient. With all this universal access, it is increasingly difficult to ensure that information remains private. Cloud-based storage and services offer many benefits to business. Yet privacy and security concerns cannot be overlooked. Over time, technology will continue to introduce challenges.

Remember our opening story about Leroy Washington? When competition from a national franchise threatened his business, Leroy confronted the challenge head-on. To capitalize on the diversity of the area—particularly the sizable populations of both Latinos and seniors—Leroy expanded his menu. His strategy was a success. The Cuban pressed sandwiches became a local favorite. Moreover, the deli was soon packed every day from 3:30 to 5:30 P.M., when the "early bird special" fare—consisting of sandwiches, soups, and salads at reasonable prices—was offered. As Leroy Washington demonstrated, challenges and opportunities abound and overlap in the business world.

Source: Andre Jenny/Alamy.

Types of Businesses pp. 14–17

In 1964, Grahame Wood opened a convenience store in Folsom, Pennsylvania. The business's focus was on providing fresh dairy products and produce and a full-service delicatessen. This marked the beginning of the Wawa chain of convenience stores, which serve the mid-Atlantic region of the United States. The chain now consists of over 630 stores in five states.15 Although Wawa is certainly successful, it's still a regional company that does not currently serve a national or international market. Regional businesses, such as Wawa, face unique challenges that don't affect larger businesses, especially involving access to adequate funding and insurance. Wawa continues to expand in the mid-Atlantic region and may one day move into the category of a national business. Is that the best move for this regional chain? ■

What's the difference between a small business and a large corporation? What about everything in between? A small business has different goals and challenges than a large corporation. Small businesses, such as a local dry cleaner, often provide limited goods or services to a small population. A large multinational corporation, such as Johnson & Johnson, supplies a wide range of goods or services to many customers worldwide. A local or regional business will have very different needs and concerns. In this section, we'll look at the different types of businesses and what constitutes each.

Local and Regional Businesses

What defines local or regional businesses? Take a walk around your town or city, and you'll see a variety of local and regional businesses. Used bookstores, bakeries, shoe repair shops, boutiques, restaurants, and specialty shops are often local businesses. A **local business** is usually one of a kind, and it relies on local consumers to generate business. A company is local if it serves a limited surrounding area. A local catering company in Baltimore, for example, might have one kitchen and cater events in Baltimore and its surrounding suburbs. Local companies generally have small numbers of employees and are associated with the towns or cities in which they are located. **Regional businesses** serve a wider area although, like local companies, they do not serve a national or international market. Wawa convenience store chain is an example of a regional business.

What special challenges do local and regional businesses face? The most common challenge for local and regional businesses is managing their money. Poor financial planning, as well as unfavorable economic conditions, can lead to bankruptcy. **Undercapitalization** occurs when a business owner cannot gain access to adequate funding. When a business can no longer afford to produce goods or provide services, it goes out of business. The owner must anticipate the cost of doing business and estimate the revenue that the business will generate. To avoid going into debt, the owner should have enough projected revenue to cover expenses for at least the first year. So if the owner of a local catering company has $100,000 in expenses and expects to generate $75,000 in the first year of business, then the owner should have at least $25,000 to fund the company. Even with adequate funding, there is always a chance that the economy will not support the business. Many small businesses fail when the economy slows down because consumers are less likely to spend extra money.

Business owners also have to take taxes and insurance costs into consideration, such as health insurance plans to cover their employees. They also need liability insurance to protect their companies if property is stolen or damaged or if employees are injured on the job. If a local jewelry store is broken into and jewelry is stolen, liability insurance will cover the cost of the broken window and the stolen property. If the jewelry store is not insured, the business could go bankrupt if the owner can't afford to cover the loss and damages.

National Businesses

What defines national businesses in the United States? If you drive from New York to Los Angeles, you'll encounter many CVS/pharmacies along the way. CVS/pharmacy has over 7,000 locations and can be found in every part of the United States.[16] All CVS/pharmacy locations essentially look alike and carry similar merchandise—all within a similar price range. With companies such as this, the customer knows what to expect. A **national business** serves the country, but it does not serve an international market. It provides goods or services to virtually all U.S. residents, no matter where in the country they live. A car insurance company, such as Allstate, is another example of a national business. It has offices in 49 states and serves the entire country. National companies have become standard symbols of U.S. business.

What special challenges do national companies face? Like local and regional companies, national companies also have to worry about their budgets and managing their finances. But they have other concerns that local businesses don't have. Because laws vary from state to state, national companies must be aware of state laws in every state in which they do business. For example, each state has its own tax laws. In most states, retail businesses are required to apply for a state sales tax permit to be able to collect sales tax from their customers. Every state imposes a corporate income tax, but the rate varies across states. And some states, such as New Jersey and Rhode Island, require businesses to pay for temporary disability insurance for their employees.[17] These laws can be difficult to keep up with and prevent companies from having standardized operating policies.

Another challenge that national companies face is longer, more complex supply chains. A **supply chain** refers to the flow by which a product, information, and money move between a supplier and a consumer (see ■ **FIGURE 1.4**). In the case of a manufactured good, raw materials flow from their suppliers to a manufacturer, which makes them into a product, which then flows to wholesalers, to retailers, and finally to the consumer. If the product is returned, it flows from the consumer back to the retailer and then potentially further back through the supply chain. Information flow includes the status of orders and their delivery. Financial flow includes manufacturing costs, payments, credit terms, and profits.

Let's look at an example of a supply chain. When you go to Target to buy a bottle of Tide detergent, you are a part of the supply chain, as is the Target store itself. Target's stock of Tide was supplied by a distributor, whose supply of detergent came from its supplier, P&G. P&G has its own set of suppliers that provide the chemicals and packaging materials required to manufacture the detergent.

The bigger a business is, the longer and more complicated its supply chain becomes. If not managed properly, long supply chains can be inefficient because products and materials have to pass through more warehouses and sustain more shipments. Products may get backed up in long supply chains, which can result in delayed shipments and late payments. A lack of communication among companies in the chain can cause mix-ups and delays, especially if there is a sudden change in the process. A national company must therefore rely on the cooperation of all members of the supply chain to keep the business running smoothly.

Businesses like CVS/pharmacy are national businesses in that they have locations throughout the United States but do not serve an international market.
Source: Kristoffer Tripplaar/Alamy.

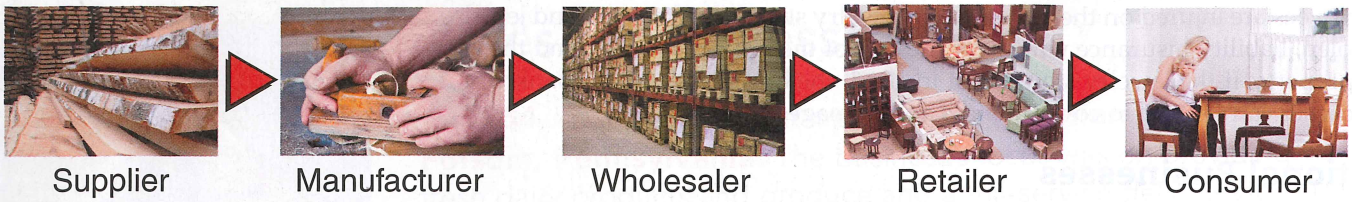


FIGURE 1.4
The Supply Chain
Source: Left to right: Anita/Shutterstock; Uwe Bumann/Shutterstock; Nat Ulrich/Shutterstock; Supertrooper/Shutterstock; Tyler Olson/Fotolia.

Multinational (International) Businesses

What categorizes a company as multinational (or international)? As we discussed earlier, *multinational businesses* make and/or sell products in several countries. They are businesses that have expanded to provide goods or services to international consumers or serve only one country but have suppliers or production facilities in other countries. For example, you can now find a McDonald's restaurant in more than 119 countries, all serving distinctly U.S. food.[18] However, not every McDonald's restaurant is exactly the same. They have all been adapted to fit the cultures of the countries in which they are located. For example, if you enter a McDonald's restaurant in some parts of Canada, you'll see a McLobster on the menu. The McAloo Tikki Burger is a vegetarian sandwich made with potatoes, peas, and spices served in McDonald's restaurants in India. Because of the large Hindu population in India, beef is not used in any of their menu items.[19] This is the nature of multinational businesses.

What special challenges do multinational corporations face? Multinational corporations must be familiar and comply with the laws of the countries in which they operate. Laws concerning the import and export of goods vary greatly from one country to another. Things can get particularly complicated if a product is shipped to one country for assembly, another for packaging, and then yet another country for distribution. Often, several countries are involved in the manufacturing of one product, in which case the laws and regulations of all those countries must be adhered to. It might be necessary for a U.S. company to work with the governments of foreign countries if there are strict importing restrictions or a multitude of taxes. Safety regulations and quality control, copyright, and patent laws are some of the other laws multinational corporations must comply with when doing business in foreign countries.

Cultural differences related to business practices have as much impact as legal differences on international business. Some of these issues, which we'll discuss further in Chapter 4, include the following:

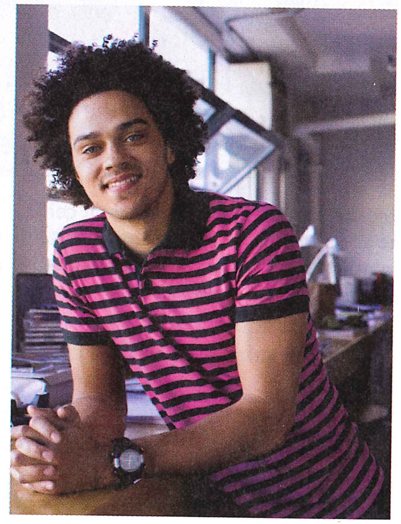
- Language barriers present challenges to businesses trying to establish themselves in foreign countries.
- Countries may have different business hours or workweek schedules. For example, in Spain, workers tend to take lunch from 1:30 to 3:30 P.M.
- Values and customs relating to business etiquette may vary. For example, timeliness is highly valued in Germany, but it is less important in Italy.
- Violating local taboos can be a concern, such as the preference for group harmony in many Asian countries.
- Multinational companies may have difficulty determining wages for foreign workers and pricing for international markets.

Multinational companies also must contend with many important economic differences among countries, such as the different levels of economic development, interest rates, and inflation rates that make international business more complicated than purely domestic business.

The move from being a regional business to a national or even a multinational business is an exciting one, but it also brings a new set of challenges. With operations in five states—New Jersey, Maryland, Pennsylvania, Delaware, and

Virginia—Wawa currently deals with issues that impact a regional company. However, recent attempts to expand into nearby states, such as Connecticut, have proved challenging. Wawa has had difficulty finding the right locations for its stores and duplicating its successful customer service and teamwork outside its regional base.[20] Instead of expanding toward being a national chain, Wawa has begun moving into gas retailing, creating superstores that combine the traditional Wawa convenience center with a gas station. Clearly, businesses must proceed carefully when making such decisions.

Taking Business Personally pp. 17–18



Source: Rubberball/Getty Images, Inc.

Taylor Evans is a very organized and orderly person. He prides himself on being efficient and meticulous with his schoolwork, finances, and social life. His friends joke with him about this and tell him that he runs his life like a business. But Taylor doesn't take offense; why shouldn't he run his life like a business? His life is just as complicated. He has revenue, expenses, and assets. He participates in commerce. Taylor even likes to keep up with the latest technology to make sure he runs his life most efficiently. He is always looking for cost-effective ways to operate his life, and any profits (or money he has left over after paying his bills) are set aside for future purchases. In many ways, his life *is* a business. Do you maintain your life like a well-run business? ■

Each of you probably has a different level of familiarity with the basics of business. Some of you may have witnessed the operations of a business firsthand while employed at a part-time job. For others, your business knowledge may be limited to what you've read in books or seen on television or in the movies. Regardless of your prior work experience and business knowledge, you all have experience running a business, and that business is your life. Similar to a small company, your life requires careful planning, precise record keeping, and openness to change. To help you understand some of the business concepts discussed in this book, let's look at how you run your "business."

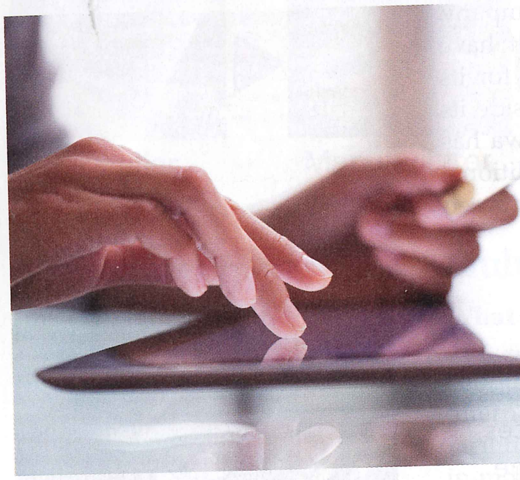
How do you receive funding? Regardless of whether you have a job or not, you're receiving money from somewhere. It could be from work, a family member, a student loan, or your own savings. You need these funds to secure the necessities of your life. Similarly, all businesses need funds to operate. Ideally, a business would produce revenue right away. However, until they get established, many businesses operate on funds received from a bank loan, investors, or their owners' capital.

What are your expenses? Rent, clothing, food, tuition—these are expenses whether they are paid for with cash, credit, or a loan. Ultimately, you will want to generate enough revenue, or income, to cover your expenses and have leftover cash. The lives of some students operate a bit like a start-up business; you may have to pay for expenses with loans until you have enough experience to generate a profit.

How does the social environment affect your life? The social environment probably presents similar opportunities and challenges to you as it does to businesses. How do you deal with these opportunities and challenges? Are you open to learn from people who are different from you? Do you embrace diversity? How do you relate to people from an older generation? What about the green movement? Are you finding ways to make your lifestyle more eco-friendly? It is important to address these issues so you can live a more harmonious life and prepare yourself for the modern work environment.

How does globalization affect your life? Not only is the world getting smaller for businesses, but the world is also getting smaller for you. Your favorite music group may be a band from Germany. You might like to chat online about movies with a friend from Japan. Just as businesses now have the opportunity to work with other firms from all over the world, you have the ability to make friends or connections on any continent. You purchase items that are designed and/or manufactured in other countries. As the forces of globalization continue, the chances of you working in a foreign country for part of your career continue to climb.

How do you keep up with new technology? Whether or not you consider yourself to be tech-savvy, chances are you still use some sort of technology to run your life. Perhaps you deposit your checks using the camera on your phone or settle a bet by paying your friend using Google Wallet. Similar to a business, if you don't keep up with new technology, you may find yourself in trouble.



Most e-commerce requires credit cards to complete transactions. How do you keep your online transactions secure? *Source:* LDProd/Thinkstock/Getty image.

What sort of e-commerce do you use? E-commerce is a popular form of purchasing goods. What sort of things do you buy online? There are many online clothing stores that let you design the products yourself, like the Sole Brother Custom Sneakers online store. Perhaps you even sell things over the Internet. Posting old clothing or other unwanted items on eBay might be your way of making a few extra dollars and gaining more room in your closet.

How do you keep your business secure? As businesses work to keep personal information secure, so also should customers. You can help keep your information secure by changing your online passwords on a regular basis, making sure your wireless connections are secure, switching to paperless mail, and removing personal information, such as phone numbers or addresses, from your Facebook account or other social networking sites. Keeping your personal information secure can help you avoid identity theft or other dangerous blows to your financial health.

What types of financial goals do you have? The goals of a business typically revolve around achieving financial success. You, too, might have certain financial goals that you would like to achieve in your life. To reach these goals, you'll need to make informed decisions about how you spend and save your money. Mini Chapter 5 (see p. 508) can help you manage your personal finances and plan for the future.

So when Taylor's friends say he runs his life like a business, maybe that is a compliment! Many of the same concepts and strategies used to run a business can be used to monitor your day-to-day activities. As you learn new business concepts in upcoming chapters, you may find them easier to understand by applying them to your own life. However, not everything in the business world parallels your own life. The business world has its own unique issues and strategies that may not work for your personal life. Think about the material presented in this course carefully both as a consumer of business goods and services and as a future business leader.